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The Federal Budget and the Cities

A Review of the President's Budget for Fiscal Year 1991

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Overview

The Bush Administration's proposed $1.23 trillion federal budget for FY91 projects a deficit of $63.1 billion, just under the Gramm-Rudman-Hollings deficit target of $64 billion. The target is reached based upon assumptions of $1.17 trillion in revenue (nine percent more than in FY90) and $1.23 trillion in outlays.

The budget document lists revenue-enhancing proposals that would net $13.6 billion in additional receipts for FY91, and $5.6 billion in additional user fees. Included is a proposal to extend coverage of Social Security to state and local government employees not participating in public employee retirement programs, and to extend Medicare insurance to all state and local government employees. The increased costs to the governments and workers would yield $3.8 billion in FY91.

According to the Administration's document, reaching the Gramm-Rudman-Hollings target also assumes the gross national product will grow by 3.3 percent in 1991, that inflation will be 4.1 percent, that unemployment will be 5.2 percent, and that interest rates (as measured by 91-day Treasury bills) will be 5.4 percent.

Direct benefit payments for individuals represents the largest spending category in the FY91 proposal, accounting for 43 percent of total spending; national defense is the next largest category, at 25 percent. Net interest consumes 14 percent of the budget, and grants to states and localities are given 12 percent. The remaining six percent goes for other federal operations.

The budget proposes a $5.4 billion increase over FY90 in defense spending, a $10.2 billion increase in domestic discretionary spending (including NASA, space exploration, foreign aid, and agriculture), and a $27.2 billion increase in entitlement spending.

The budget document describes the Administration's approach to "Reducing Investment in Low-Return Programs." Included on the list of programs targeted for cuts in the FY91 budget are many of the key urban programs that have been supported by the federal government over the years: mass transit, new subsidized housing construction, sewage treatment plant construction, low income home energy assistance, local economic development, housing for the elderly or handicapped, the Community Development Block Grant program, and others.

In general, the Administration's FY91 budget proposal contains increases for its top priorities, and many of these benefit city residents:

- Total anti-drug funding would increase by 12 percent, to $10.6 billion in FY91. State and local drug enforcement grants would increase by 10 percent, to $490 million. The Alcohol, Drug Abuse and Mental Health Block Grant, containing drug treatment funds, would increase by $100 million to $1.3 billion. Drug-free schools programs would increase by 10 percent to $593 million. Drug abuse prevention programs would increase by 36 percent to $262 million. Funds for high intensity drug trafficking areas would double to $50 million.

- Funding for AIDS research, prevention and treatment within the Department of Health and Human Services would increase seven percent, to $1.69 billion. (In 1989, over 35,000 AIDS cases were reported; this is an increase of 43 percent over all previously reported cases.)

- Housing subsidies for 82,049 additional households are proposed for FY91; the increase from the current level of 75,508 units is provided by the Rental Housing Assistance for the Homeless program. The Urban Homesteading Program would be increased from $13.2 million this year to $50 million in FY91.

- The Environmental Protection Agency's budget to begin implementation of the Clean Air Act amendments being considered by Congress would be increased 34 percent, to $389.8 million.

- Funds for modernization and expansion of the nation's aviation system would increase 16 percent to $8.6 billion.

- Funds for the Department of Education, which would increase by two percent to $24.6 billion, would allow for increases in compensatory education for the disadvantaged, school improvement programs, student financial assistance, and vocational and adult education.

- Head Start would increase by $500 million; this would allow the program to serve an additional 180,000 children, for a total of 667,000 children.

- Foster care and adoption assistance would increase by $1.1 billion to a total $2.47 billion.

- To implement the Family Support Act, AFDC benefits would increase from $9.3 billion to $9.5 billion. Funds for the JOBS program for AFDC recipients would increase by 138 percent to $880 million; funds to provide child care to JOBS program participants would increase by 137 percent to $489 million.

- The Stewart B. McKinney Homeless Assistance Act would be funded at $819 million; overall this is $143 million more than the current authorized level. (However, the Health Care for the Homeless project would not be fully funded, and the Supplemental Assistance program would be eliminated.)

For cities, however, gains in these areas are offset by losses in others—especially those considered "Low Return" by the Administration:

- The Community Development Block Grant program would be reduced to $2.75 billion, a cut of $163 million. Public housing modernization would receive $1.85 billion, a cut of $150 million. The Rental Rehabilitation Grants program would be cut from $128 million this year to $70 million in FY91.

- There would be no funds for Section 108 Loan Guarantees, the Urban Development Action Grant program, the Nehemiah Housing Opportunity Grants program, or the Section 312 program.

- Mass transit programs would be cut by $751 million; this would result in the termination of the federal operating subsidy to the 30 urban areas with populations over one million, and in other limitations on transit spending. AMTRAK funding, currently $604 million, and the Northeast Corridor Improvement Program, currently funded at $24 million, would be eliminated.

- In the education area, Impact Aid for the children of parents who work on federal facilities but live on non-federal property would be cut by $71 million. Guaranteed student loans would be cut by $748 million. Public libraries would be cut by $97 million, or 72 percent of their total funding.

- The Low Income Home Energy Assistance Program would be funded at $1.1 billion, a $343 million, or 25 percent, cut from the current year.

- Except for the $42 million authorized under the Stewart B. McKinney Homeless Assistance Act, all funding for the Community Services Block Grant, currently $389 million, would be eliminated.

- For the elderly and the handicapped, new housing units to be constructed through the Section 202 program would be cut by 48 percent. The Community Services Employment for Older Americans program would be cut by $14.2 million; this could result in 6,600 fewer job slots.

- While Medicare would be funded at $110.5 billion, an increase of $4.9 billion, the Administration's budget for Medicare includes cuts of $5.6 billion, to be proposed in legislation, that will result in reducing capital payments to urban hospitals by 25 percent, and in other reductions.

- The budget proposal for the Department of Energy designates $30 million for state and local assistance programs, to be funded through oil overcharge funds. In FY90, funding for these programs was $217 million.

- In the budget for the Environmental Protection Agency, the Wastewater Treatment Grant program would be reduced by $391 million below the current level of $1.99 billion.

- The food stamp program, at $15.98 billion, would serve approximately 100,000 fewer people than in the current fiscal year. The $936 million Nutrition Assistance Program for Puerto Rico would be replaced with a smaller cash grant program. Child nutrition programs would be cut by $462.2 million.

For many of these programs, the cuts proposed in the Administration's budget continue a pattern of cuts in urban programs which has lasted through the 1980's. As a group, key urban programs have sustained significant cuts during the decade.

The chapters which follow in this report provide more information on both the increases and the decreases proposed in urban programs for FY91.

Budget Authority by Function (billions)

	A	B	C	D	E
	Actual Budget FY90	President's Budget FY91	Δ +/- (B-A)	Baseline	Δ +/- (B-D)
DOD-Military	291.4	295.1	+3.8	305.4	-10.3
DOD-Other	10.3	11.7	+1.4	10.7	+1.0
International Affairs	18.6	20.0	+1.4	19.0	+1.0
Science, Space, Technology	14.6	17.9	+3.3	15.2	+2.7
Energy	5.6	3.3	-2.3	6.3	-3.0
Natural Resources & Environment	17.0	17.6	+0.6	18.2	-0.6
Agriculture	18.0	20.1	+2.1	22.2	-2.1
Commerce & Housing Credit	15.5	14.3	-1.2	13.9	+0.4
Transportation	31.2	30.3	-0.9	32.3	-2.0
Community & Regional Development	9.0	7.0	-2.0	9.6	-2.6
Education, Training, Employment & Social Services	39.6	42.0	+2.4	41.6	+0.4
Health	60.3	64.8	+4.5	65.6	-0.8
Medicare	116.9	125.2	+8.3	125.1	+0.1
Income Security	183.2	198.9	+15.7	175.7	+23.2
Social Security	306.6	340.4	+33.8	342.3	-1.9
Veterans	30.0	31.0	+1.0	31.1	-0.1
Justice	12.2	12.6	+0.4	13.7	-1.1
General Government	10.5	11.4	+0.9	11.1	+0.3

Budget Authority by Functions (billions)

This chart shows funding levels contained in the President's budget (column B) as compared to last year's funding levels (column A), the nominal change from last year's spending (column C), last year's spending levels adjusted for inflation (column D), and the difference between the President's proposed funding levels and the inflation-adjusted levels (column E).

Outlays
Overall Budget Trends

	'90	'91	Δ +/-	Baseline	Δ +/-
Defense	286.8	292.1	+5.3	296.0	-3.9
Non-Defense Discretionary	184.2	194.4	+10.2	194.6	-0.2
Entitlements	562.5	589.7	+27.2	585.7	+4.0
Interest	175.6	173.0	-2.6	173.7	-0.7

Outlays Overall Budget Trends

This chart shows the funding levels for broad category spending items in FY90, Administration proposed levels for FY91, the nominal change between FY90 and FY91, the funding levels of these broad categories as adjusted for inflation (Baseline), and the nominal change between proposed FY91 and inflation-adjusted funding levels (Baseline).

Funding Levels for Key Urban Programs (millions)

	Actual FY90	Proposed FY91	Percent Change
Community Development Block Grant	2,915	2,750	-6
Urban Development Action Grants	0	0	-100
Housing Development Action Grants	0	0	-100
Rental Rehabilitation	128	70	-45
Assisted Housing	13,700	15,100	+9
Public Housing Operating Subsidies	1,790	1,830	+3
Public Housing Modernization	2,000	1,850	-8
Economic Development Administration	188	0	-100
Low Income Home Energy Assistance	1,593	1,050	-25
Community Services Block Grant	389	42	-89
Social Services Block Grant	2,762	2,800	+1
Head Start	1,386	1,886	+36
Older Americans' Act Programs	747	748	—
Job Training Partnership Act—Total	3,454	3,757	+8
•Block Grant	1,745	0	-100
•Summer Youth	700	0	-100
•Dislocated Workers	464	400	-14
•Adult Opportunities	0	966	+100
•Year-Round Youth	0	1,719	+100
Homeless Assistance			
•FEMA—Emergency Food and Shelter	130	125	-4
•Health Care	36	46	+28
•Mental Health Block Grant	28	27	-4
•Emergency Shelter Grants	73	71	-3
•Transitional Housing Demonstration	127	143	+13
•Supplemental Assistance	11	0	-100
Drug Abuse Treatment (ADAMHA Block Grant)	1,193	1,293	+8
Drug Abuse Education	541	593	+10
Drug Abuse Enforcement	445	490	+10
AIDS Research, Prevention and Treatment	1,586	1,695	+6
Maternal and Child Health Block Grant	554	554	—
Mental Health	447	450	+1
Family Planning	139	139	—
Childhood Immunizations	156	153	-2
Prevention Block Grant	84	84	—
Medicaid	40,230	44,902	+10
Airport Improvement Program	1,651	1,800	+9
Airport Facilities and Equipment	1,721	2,500	+45
Airport Operations	3,016	1,241	-59
Federal Aid Highways	12,200	12,013	-2
Transit Formula	1,625	1,076	-34
Transit Discretionary Grants	1,281	1,400	+9
Interstate Transfers	159	0	-100
Clean Water	1,991	1,600	-15
Leaking Underground Storage Tanks	74	75	+1
Superfund	1,530	1,740	+14

Funding Levels for Key Urban Programs

This chart shows the actual FY90 funding levels and proposed FY91 funding levels for a list of key urban spending programs as well as the percentage increases/decreases in each.

Ten-Year Analysis of Selected Key Urban Programs (billions)

Program	FY81	FY81 (adjusted for inflation)	FY91 Proposed	Real % Cut - Increase +
CDBG	4.0	5.7	2.7	-53%
UDAG	0.4	0.57	0	-100%
GRS	5.1	7.3	0	-100%
Mass Transit	3.8	5.4	2.5	-54%
Employment and Training	5.9	8.4	3.5	-59%
EDA	0.4	0.57	0	-100%
Justice Assistance	0.3	0.43	0.6	+40%
Clean Water Construction	3.8	5.4	1.6	70%
Total	23.7	33.77	10.9	-68%

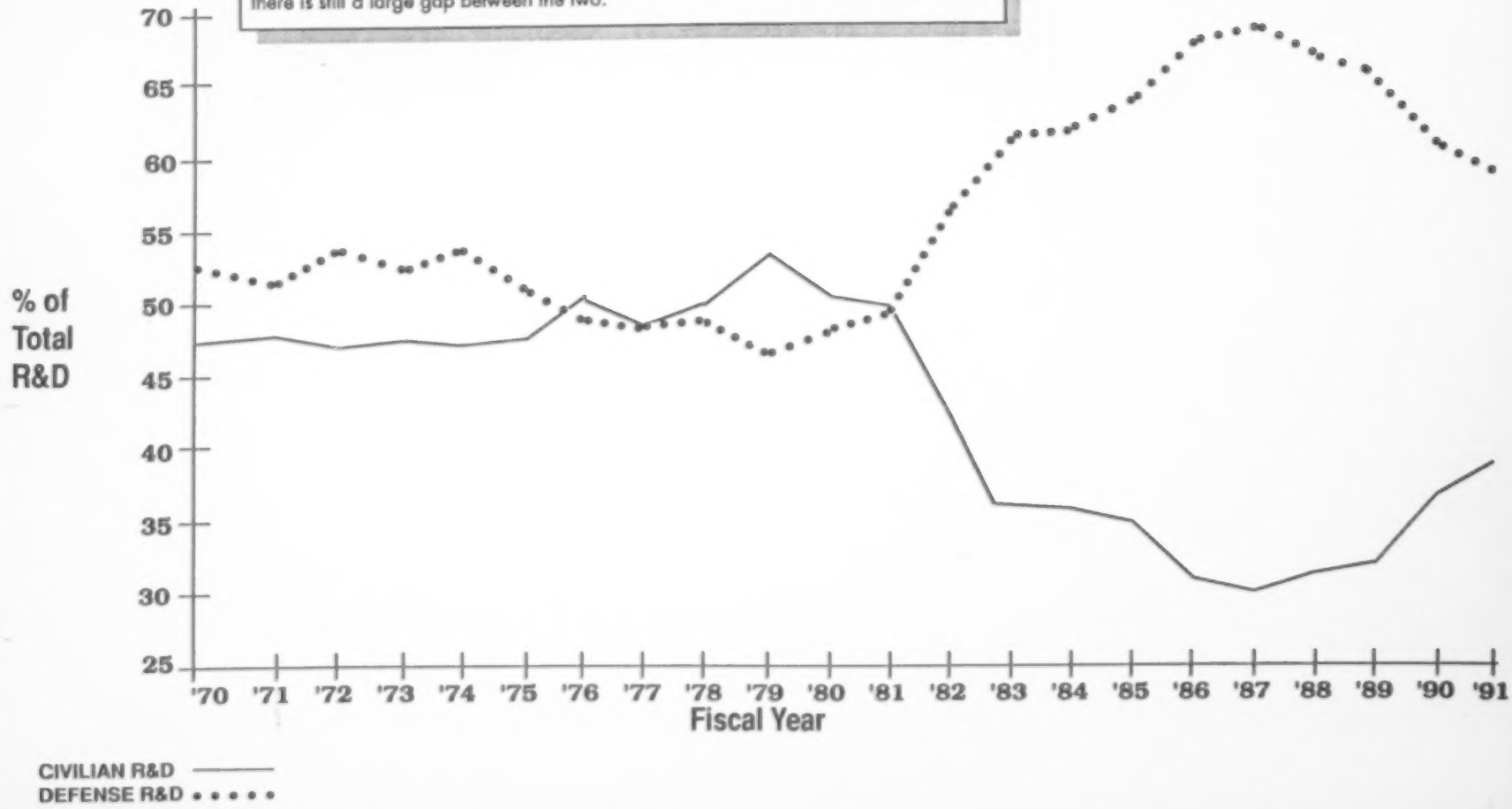
Ten-Year Analysis of Selected Key Urban Programs

This table shows the FY81 funding levels for selected key urban programs, that funding level adjusted for inflation over the ten year period from FY81-91, the proposed FY91 funding level for these programs, and the cut in real percentage terms which is determined by measuring the FY81 levels adjusted for inflation against the proposed FY91 levels.

*In FY81, AIDS had not been identified, there were no federal programs which provided assistance specifically to the homeless, and drugs were not considered a major urban problem.

SHIFT IN R&D INVESTMENT
FISCAL YEARS 1970 - 1991

The accompanying chart shows the wide divergence in government funds devoted to civilian versus defense R & D during the 1980's. During the period from 1970-1981, the relative percentages of spending for R & D were roughly equal. However, starting in 1981, expenditures for defense R & D started to climb dramatically with a corresponding drop in expenditures for civilian R & D. Currently, the FY91 budget suggests that of a total $68.1 billion for combined federal commitment to R & D $41.4 billion, or 60.8 percent, be devoted to defense, and $26.7 billion, or 39.2 percent, be devoted to civilian. While the trend lines are heading back to their traditional levels, there is still a large gap between the two.



Tax Policy

The Administration's FY91 budget includes a list of revenue-enhancing proposals which would net $13.6 billion in additional receipts to the budget next year, and $5.6 billion in additional user fees. Among the proposals included in this list are the following:

Capital gains rate reduction—Individuals would qualify for an exclusion of 30 percent if asset is held for more than three years; 20 percent if held for more than two years; and 10 percent if held for more than one year.

Extension of coverage of Social Security to state and local government employees not participating in public employee retirement programs and of Medicare insurance to all state and local government employees—The effect of these two proposals would be to increase federal government revenues by $3.8 billion in FY91. These changes would result in additional costs to many city governments and city workers.

Extension of telephone excise tax—This proposal would permanently extend the three percent excise tax on local and toll telephone service and on teletypewriter exchange service.

Increase in airport and airway fees—The passenger ticket fee, which would fund FAA operations, would be increased from 8 percent to 10 percent, effective January 1, 1991.

Extension of low-income housing tax credits—This would provide a one-year extension which would make available 100 percent of the state housing credit ceiling applicable to any state for the years after December 31, 1989 and before January 1, 1992.

Enterprise zones—These would be available to 50 distressed urban and rural communities. The proposal includes tax incentives such as the elimination of capital gains with respect to tangible investments located in a zone; refundable tax credits for low-income zone employees; and expensing of investments in certain corporate stock issued by zone businesses.

Individual Retirement Account changes—This proposal would waive the 10 percent excise fee for early withdrawals if the money is used for a first-time home purchase and the home costs are no more than 110 percent of the median price of homes. The maximum amount allowed to be withdrawn without penalty for a first-time home purchase would be $10,000.

Tax credit for young children—This proposal includes a new refundable tax credit of up to $1,000 for each child up to age four. Families with income up to $13,000 would be eligible in 1991; those with incomes up to $20,000 by 1995. In addition, the existing dependent care credit would be made refundable. However, parents would not be entitled to claim both credits for the same child.

Aging

The Administration's FY91 budget contains several proposals that would cut funding for the elderly. New units to be constructed through Section 202 housing would be cut by 48 percent. Legislation will be proposed that would cut Medicare reimbursements by $5.5 billion in FY91. The Community Services Employment for Older Americans program would be cut by $14.2 million (four percent) from $357 million to $342.8 million. This is expected to result in 6,600 fewer job slots.

Other Older Americans Act programs would remain at approximately current levels. Title III services and meals would be funded in FY91 at $709.6 million, the FY90 level. Grants to Indian Tribes would remain at $12.5 million. Funds for research, training and discretionary grants would increase by $1 million to $26.3 million.

Funding Pattern

Older Americans Act Title III funds are allocated to the states and through them to area agencies on aging, which are generally county or multi-jurisdictional agencies.

AIDS

The Administration's budget requests $1.69 billion in FY91 for AIDS research, prevention and treatment within the Department of Health and Human Services (HHS). This represents an increase of $109 million, or seven percent, over FY90 spending.

In the period from June 1981 through December 1989, more than 117,000 AIDS cases had been reported to the Centers for Disease Control (CDC). In 1989 alone, over 35,000 AIDS cases were reported, an increase of approximately 43 percent over all previously reported cases. There are an estimated 600,000 to 1.4 million Americans infected with the HIV virus.

Basic science research and prevention education/surveillance spending comprise the bulk of the Administration's requested AIDS spending in FY91, totaling $1.54 billion, an increase of $143 million, or 10 percent, over FY90. Major FY91 AIDS spending requests are as follows:

- In FY91, the Administration requests $800 million for the National Institutes of Health (NIH), which is responsible for AIDS treatment and vaccine research. This represents a $57 million increase (7.5 percent) over FY90.

- The Administration requests $509 million in FY91 for the Centers for Disease Control, the federal agency with primary responsibility for prevention education, and disease surveillance/reporting activities. This represents an increase of $66 million (15 percent) over FY90 spending, most of which is targeted for educating high risk populations.

- The Alcohol, Drug Abuse, and Mental Health Administration (ADAMHA) AIDS budget request is $230 million, an increase of $15 million (seven percent) over FY90. ADAMHA activities include prevention, treatment and research on AIDS and drug abuse.

- The Administration budget request cuts $40 million in FY91 AIDS spending under the Health Resources and Services Administration (HRSA), a 35 percent decrease ($73 million in FY91, down from $113 million in FY90). This reduction is attributable to no request for funds to continue the AIDS treatment grant, home health, and subacute care programs.

  HRSA is the federal agency responsible for the majority of AIDS health care services outlays, excluding Medicaid and Medicare. The Administration estimates that AIDS-related Medicaid/Medicare outlays in FY91 would be over $1 billion, an increase from estimated FY90 expenditures of over $780 million.

- The Administration requests $63 million for AIDS-related activities in the Food and Drug Administration (FDA) ($7 million over FY90), primarily for review of experimental drugs and vaccine development research.

Funding Pattern

Limited CDC prevention education funds go directly to local governments (i.e., primarily city and county health departments). The bulk of CDC HIV counseling and testing funds are provided to local health departments, primarily through state pass-through. Limited HRSA service and planning funds are provided to local governments.

Arts and Humanities

National Endowment for the Arts

The Administration's FY91 budget request for the National Endowment for the Arts (NEA) is $175 million, an increase of $3.7 million over the FY90 appropriation of $171.3 million. The President's budget emphasizes three areas—continued support for arts institutions and artists; promotion of arts education, which received $2 million of the proposed $3.7 million increase; and more funds for multi-cultural and rural arts services. Funding levels for NEA programs for which city governments or local arts agencies may compete—specifically, the Design Arts program, Visual Arts program, and the Locals program—remain at the same levels as provided in the FY90 appropriation, a total of $12.9 million. Cities apply directly to the NEA for the competitive grants in Design Arts, Visual Arts, and Locals programs.

National Endowment for the Humanities

The FY91 budget request for the National Endowment for the Humanities (NEH) is $165 million, $8 million more than enacted in FY90. NEH programs that affect cities include matching grants to assist humanities instruction in schools and colleges; research and scholarships in the humanities, media and other programs that bring the humanities to the attention of the general public; and preservation of humanities research materials. Recent programs initiated include a multi-year program for the preservation of books and a national heritage program to improve conservation of cultural collections. Increases would help libraries and schools, colleges, and universities to develop their book collections and humanities programs. Depending upon the type and scope of the program for which funding is sought and the kind of institution, city institutions apply either to the state council on the humanities or directly to the NEH; many city institutions, such as city libraries and city colleges or universities, receive grants directly from the NEH.

Institute for Museum Services

The Administration has requested $24 million for the Institute for Museum Services (IMS), $1 million more than enacted in FY90. The IMS provides general support grants to a variety of museums (including art, history, science and technology museums), zoos, planetariums, historic houses, and botanical gardens. It also makes specific grants to help in the conservation, care and management of museum collections. Museums apply directly to the IMS for grants, which are competitive.

Historic Preservation Fund Program (Department of the Interior)

The Administration's FY91 budget request calls for $34 million for the Historic Preservation Fund Program of the National Park Service, $1.4 million more than enacted in FY90. The Historic Preservation Fund provides matching grants to states and the National Trust for Historic Preservation for planning, projects and activities in historic preservation. The proposed increase would provide additional surveys and inventories of historic properties for potential inclusion on the National Register of Historic Places; assistance to state and local planning and development agencies that make decisions about historic properties; and technical assistance to private sector architects and developers seeking to meet the standards of the Secretary of the Interior for historic preservation construction work to qualify for tax credits. Cities apply directly to the National Trust for Historic Preservation for several types of competitive grants in historic preservation.

Business and Economic Development

The $326 million in budget authority requested for Small Business Administration (SBA) expenses is $19 million below the FY90 enacted level, mainly due to the proposed elimination of federal support for small business development centers. The FY91 budget also proposes a $56 million reduction in the business loan and investment fund from $160 million to $104 million.

The FY91 budget for the SBA proposes to increase fees on SBA loan guarantees from 1.2 percent to three percent for minority enterprise small business investment companies. Other SBA loan guaranty program fees increase from two percent to five percent to help offset default costs. In addition, a six basis point fee is proposed on guaranteed loans sold in the secondary market to help cover potential costs.

The budget proposes to consolidate guaranteed lending assistance programs into four areas: General Business Assistance, Development Company Assistance, Minority Investment Company Assistance, and Investment Company Assistance.

The Minority Business Development Agency would remain within the Department of Commerce with a proposed increase of $6.4 million, for a total of $46.2 million, to carry out that agency's functions in enterprise development, resource development, advocacy, research and information. The budget document states that this reflects a shift in emphasis to reestablish state and local programs, and to develop strong public/private partnerships.

Economic Development Agency

The FY91 budget once again proposes that the Economic Development Administration (EDA) be discontinued and that the administrative resources of the Grants and Loans Administration be used to monitor and close out existing economic development assistance, trade adjustment assistance, public telecommunications facilities construction, the federal ship financing fund and fisheries loan fund projects.

Community Development and Housing

Community Development

For FY91, the Administration proposes to cut the Community Development Block Grant Program (CDBG) by $163 million. This is a reduction from $2.91 billion in FY90 to $2.75 billion in FY91.

There is no request for funds for Section 108 Loan Guarantees in FY91, and legislation is being prepared to repeal the program.

The Administration will also propose legislation to repeal the Urban Development Action Grant (UDAG) program. While UDAG did not receive any appropriation in FY90, an authorization does exist.

The Urban Homesteading Program, funded at $13.2 million in FY90, would be increased to $50 million in FY91.

Housing

The Administration proposes to provide 82,049 additional households with subsidies in FY91, up from 75,508 units in FY90. For FY91 these would be: 47,924 vouchers; 8,003 Section 8 existing units; 4,797 Section 202 elderly units and 2,170 handicapped units (a 48 percent cut in new construction units from FY90); 1,305 Single Room Occupancy units for the Homeless; and 11,250 units for Property Disposition and Preservation. The budget also proposes to provide 6,600 incremental units under the Rental Housing Assistance for the Homeless program (formerly the Supplemental Assistance for Facilities to Assist the Homeless program). The increase in the FY91 budget is due solely to the units provided in the Rental Housing Assistance for the Homeless program. The budget also supports the renewal of 294,495 expiring Section 8 subsidy contracts.

The budget also proposes to fund the new housing initiative called HOPE, "Homeownership and Opportunity for People Everywhere," at $1.2 billion in FY91. According to the budget document, some of the programs to be funded include $250 million in HOPE grants to help low income families and tenants in public housing to become homeowners; $251 million to fund 6,000 certificates and vouchers for relocation, replacement of units, and rent assistance; $412 million to help resident groups to buy HUD-subsidized properties eligible for prepayments; and $247 million for a new "Shelter Plus Care" program for homeless persons who are seriously mentally ill or who have chronic problems with substance abuse. Legislation for the HOPE proposal has not yet been introduced.

Several of the HOPE initiatives in the budget document would require tax expenditures, such as enterprise zones ($50 million), first-time homebuyers using their Individual Retirement Account savings for downpayments ($40 million), and extension of the Low Income Housing Tax Credit ($97 million).

As for public housing, funds for modernization would be cut from $2.0 billion in FY90 to $1.85 billion in FY91, while public housing operating subsidies would receive an increase from $1.79 billion to $1.83 billion. The budget also proposes $150 million to provide drug elimination grants to public housing. No money is requested for public housing construction.

The Fair Housing Initiatives Program (FHIP) would be funded at $5.6 million, while the Fair Housing Assistance Program (FHAP) would be funded at $6.6 million. These two programs were funded at a total level of $12.3 million in FY90, but would be reduced to $12.2 million in FY91.

The budget proposes a cut in the Rental Rehabilitation Grants program from $128 million in FY90 to $70 million in FY91. Legislation will be proposed that will allow use of the funds in rural areas and will prohibit the use of the funds for projects in areas with rent control. The Section 8 Moderate Rehabilitation Program also is not funded.

No funding is requested for the Nehemiah Housing Opportunity Grants program for FY91.

The Administration proposes to terminate the Section 312 program and transfer $87 million of unobligated balances to the "Annual Contributions for Assisted Housing" account to help provide additional vouchers in conjunction with the HOPE initiative.

Disaster Assistance

The budget request for disaster relief, administered by the Federal Emergency Management Agency (FEMA), is $270 million, to remain available until expended.

Funding Pattern

In the Community Development Block Grant program, cities directly receive two-thirds of all funds through entitlement, while states receive the remaining funds for distribution to small cities. In housing, though both cities and states receive some housing funds, the largest amount of money goes to local public housing agencies.

FEMA funds go to both state and local governments.

Criminal Justice

The Administration's budget requests $9.0 billion for the Department of Justice, a 4.2 percent increase above FY90.

Office of Justice Programs

Assistance to state and local agencies is provided through the Office of Justice Programs. Funding for that office is proposed at $613.6 million for FY91, a net decrease of $25.5 million from the FY90 appropriation.

- The Juvenile Justice program would virtually be eliminated through a proposed decrease of $62 million. The remaining $7.5 million would continue a High Risk youth program that addresses the problems of gangs and drugs and their relationship with the juvenile justice system.

- Funding for the state and local anti-drug enforcement program would increase by $45 million (10 percent) to $490 million.

- The Regional Information Sharing System, which provides aid to state and local law enforcement agencies in the exchange of intelligence information, would be decreased by $3.7 million to $9.75 million in FY91.

- Other programs such as the Mariel Cubans, which reimburses certain states for part of the cost of incarcerating Mariel Cubans who had originally been paroled by the

federal government, and Emergency Assistance, which provides assistance to a state or locality after the Attorney General has determined that a law enforcement emergency exists, are slated for elimination.

Federal Bureau of Investigation

The Federal Bureau of Investigation budget would total $1.64 billion, an increase of $140.8 million above the FY90 budget. Increases of $24 million for white-collar crime and $8 million to address Asian Organized Crime are requested. For the FBI's other field programs, an increase of $40.6 million is requested.

Drug Enforcement Administration

The FY91 budget would provide 584 new DEA positions, bringing the total next year to 5,991 positions. DEA's budget would increase by $151.3 million above the FY90 level, to $700 million.

Federal Prison System

The Administration's proposed FY91 funding for the Federal Prison Construction program would decline from $1.4 billion in FY90 to $374 million in FY91. The budget document explains that the FY91 level "need not be duplicated in 1991 to reduce prison overcrowding to acceptable levels." The $374 million would be used to construct one federal prison complex. In addition, $22.5 million is requested to acquire and convert active and closed military facilities.

Defense

The Administration's budget proposal for defense spending in FY91 is $292.1 billion as compared to last year's funding level of $286.8 billion, representing an increase of roughly $5.4 billion.

The defense budget assumes that deployment of forces in Europe would not change in FY91, while active duty end-strength would decline by the end of FY91 to a level 37,605 below the estimated FY90 level.

Deployed strategic forces would continue at the FY90 levels of 1,000 Minuteman and Peacekeeper missiles and 35 Poseidon and Trident submarines with over 600 missiles. The bomber force would decrease by 19 aircraft.

Navy forces would include 14 aircraft battle groups and 15 tactical airwings, the same as in FY90. Two of the four U.S. battleships would be deactivated and the total number of Naval vessels would decline from 551 to 546.

Procurement of strategic systems in FY91 would include the eighteenth Trident submarine and 52 Trident II missiles, 12 Peacekeeper missiles for operational testing and special railroad trains to provide mobility for Peacekeeper missiles, five B-2 Stealth bombers, and 100 advanced cruise missiles. The budget proposes an increase of $900 million for the Strategic Defense Initiative.

Procurement of conventional systems in FY91 would include 225 M-1 Abrams tanks, 600 Bradley Fighting Vehicles, 72 Blackhawk utility helicopters, 14 new ships (including two SSN-21 attack submarines and five Aegis guided missile destroyers), 186 Air Force fighters (including 150 F-16's and 36 F-15's), and 6 C-17 transport aircraft.

While some programs would be delayed to partially fund other programs, several systems would be terminated, including the Apache (AH-64) helicopter, the Chaparral and Maverick missiles and the MK-19 Grenade launcher. Also, production of the M-1 tank would end following FY91 procurement.

The budget also requests a $300 million increase over FY90 for the Defense Department's drug interdiction program, which would include additional support to law enforcement agencies (including new efforts begun in FY90 along the southwest border), and support of the President's Andean initiative.

The budget also requests $916 million for continued implementation of the Base Closure and Realignment Act. These funds would provide for the construction of facilities and other one-time implementation costs at military bases to accommodate the transfer of activities from bases that will be closed or realigned.

The proposed budget also allows for a 3.5 percent pay raise for military personnel.

Drug Control

Total anti-drug budget authority is proposed to increase by 12 percent from $9.5 billion in FY90 to $10.6 billion in FY91. Of the $10.6 billion, $4.5 billion (42 percent) would go for enforcement, $2.4 billion (23 percent) for interdiction, $1.7 billion (16 percent) for treatment, $1.4 billion (13 percent) for prevention and education, and $690 million (seven percent) for international programs. (Percentages do not total 100 percent due to rounding.) Total outlays would increase by 41 percent, from $6.9 billion in FY90 to $9.7 billion in FY91.

Among the Administration's proposals for drug control programs of particular interest to cities:

- State and local anti-drug enforcement grants would increase by 10 percent, from $445 million in FY90 to $490 million in FY91.

- Treatment funds provided through the Alcohol, Drug Abuse and Mental Health Block Grant would increase by $100 million, with the total Block Grant increasing from $1.2 billion in FY90 to $1.3 billion in FY91.

- The program to decrease drug treatment waiting lists, funded at $64 million in FY90, would be eliminated. The Treatment Improvement Program would increase by 112 percent from $42 million in FY90 to $89 million in FY91. The Drug Crisis Area program would increase by seven percent from $30 million in FY90 to $32 million in FY91. All of these programs plus the treatment portion of the ADAMHA Block Grant are administered by the new Office of Treatment Improvement in the Department of Health and Human Services (HHS).

- Drug-free schools programs would increase by 10 percent from $541 million in FY90 to $593 million in FY91.

- Prevention programs administered by the Office of Substance Abuse Prevention in HHS would increase by 36 percent from $193 million in FY90 to $262 million in FY91.

- Funds for high intensity drug trafficking areas would be increased from $25 million in FY90 to $50 million in FY91.

Funding Pattern

The majority of the federal anti-drug funds are used by federal agencies. Nearly all of the funds for treatment, prevention and education, and enforcement are distributed to the states as block grants, with distribution to local agencies primarily at state discretion.

Education

The Administration proposes $24.6 billion in budget authority for programs funded under the Department of Education for FY91, an increase of $507 million (two percent) over the FY90 estimated level. While the Office of Elementary and Secondary Education would increase $500 million, from $5.3 billion in FY90 to $5.8 billion in FY91, the Office of Postsecondary Education would decrease $500 million, from $10.8 billion in FY90 to $10.3 billion in FY91.

The major increases proposed for FY91 education programs are:

- An increase of $470 million for Compensatory Education for the Disadvantaged—$5.8 billion as compared to $5.3 billion in FY90;

- An increase of $308 million for School Improvement Programs such as dropout prevention demonstrations, the Presidential awards for excellence in education,

magnet schools of excellence, and national programs for education improvement—$1.7 billion as compared to $1.3 billion in FY90;

- An increase of $261 million for Student Financial Assistance—$6.4 billion as compared to $6.1 billion in FY90; and,

- An increase of $47 million for Vocational and Adult Education—$1.18 billion as compared to $1.13 billion in FY90.

Programs slated for cuts are:

- Impact Aid for the children of parents who work on federal facilities but live on non-federal property—$661 million as compared to $732 million in FY90, a proposed $71 million decrease;

- Guaranteed Students Loans—$3.1 billion as compared to the FY90 budget authority of $3.9 billion, a proposed $748 million cut; and,

- Public Libraries—$39 million as compared to $136 million in FY90, representing a proposed 72 percent decrease.

Employment and Training

The Administration's FY91 budget request for the Department of Labor's Employment and Training Administration is $7.7 billion, an increase of $475 million over FY90. This includes $3.8 billion for programs currently authorized by the Job Training Partnership Act (JTPA). The budget proposes elimination of a separate summer youth program.

The JTPA Block Grant program, currently funded at $1.7 billion, would be reorganized through proposed legislation into two programs, one for adults and one for youth. The current summer youth program and the youth portion of the Block Grant would be combined into a single program funded at $1.7 billion, an increase of $240 million. Although the current summer program would be eliminated, a summer program would be optional under the proposed legislation, providing that participants are enrolled in a year-round program. The budget requests $966 million for the new Adult Opportunities program.

The Administration proposes to fund the Dislocated Workers program (EDWAA) at $400 million, a $63.6 million reduction below the FY90 funding level. In addition, legislation would be submitted to repeal the Trade Adjustment Act (TAA) program effective September 30, 1990. In FY90, $280 million is appropriated for cash payments and training entitlement. Should the program be repealed, $40 million would be needed to phase out cash benefit payments, resulting in a cut of $240 million.

The FY91 request for the Homeless Job Training program is $13 million, an increase of $1.7 million. The Administration would request, through legislation, that the program be extended, with an annual authorization of $13 million.

The budget proposes a cut of $14 million in the Community Service Employment for Older Americans programs, reducing it to $343 million in FY91. This results in a 6,600 slot cut, from 63,200 in FY90 to 56,600 in FY91.

The Job Corps request for FY91 is $818 million, an increase of $15 million over FY90. This would provide 41,113 slots, an increase of 569 slots for new centers in Kansas and Alabama. This increase also includes $3.3 million to expand the substance abuse prevention program to all centers.

The FY91 budget proposes $50 million for the new Youth Opportunities Unlimited (YOU) demonstration program. This program is currently unfunded in the FY90 budget, although planning grants have been awarded to 12 cities and two rural areas.

The FY91 budget requests an increase of $27 million for the Native Americans, Migrant and Seasonal Farmworkers and Veterans programs. This reflects program levels determined by statute.

The Administration proposes an increase of $229 million in the State Unemployment Insurance program. Again this year, the budget proposes a decrease of $56 million in the State Employment Service.

Funding Pattern

The bulk of the Employment and Training Administration budget is allocated directly to states. JTPA dollars are then reallocated to local Service Delivery Areas that include both city and county governments or combinations thereof.

Energy

The Administration's FY91 budget proposal for the Department of Energy (DOE) is $17.5 billion, an increase of six percent over the FY90 budget of $16.4 billion.

The proposed budget designates $30 million for state and local assistance programs, principally the Weatherization Assistance Program funding to states. In FY90, funding for these activities was $217 million.

National Defense

The majority of the proposed increase for the department is slated for the defense category. The defense program request is $9.2 billion for FY91, up from the FY90 appropriation of $8.5 billion. In addition to defense activities, this category provides federal support to maintain energy emergency programs like the Naval Petroleum and Oil Shale Reserves and Strategic Petroleum Reserve.

Energy Efficiency

DOE's proposed efforts to increase energy efficiency include national energy conservation and efficiency research in buildings, transportation and industry. The FY91 budget request is $203 million, a decrease from the FY90 appropriation of $213 million. The Federal Energy Management Program in this category includes an effort to improve lighting efficiency in federal buildings.

Future Energy Supplies

This category is proposed at $2.1 billion, a decrease of $323 million from FY90. It includes the Power Marketing Administrations and research in electric energy systems and storage, nuclear technologies, fossil fuel technologies, and renewable energy technologies. Within the biofuels program, additional research is slated to explore impediments to the use of municipal solid waste as an energy resource.

Science and Technology

The science and technology category includes research programs in high energy physics, nuclear physics, the superconducting super collider, basic energy sciences, biological and environmental research, and university and science education programs. The FY91 budget request is $2.3 billion—an additional $281 million request over FY90.

Environment

This category includes environment, safety and health activities at DOE facilities, restoring environmentally damaged sites, and nuclear waste disposal. The FY91 funding request for this category is $3.3 billion. The $585 million additional request over FY90 is largely to assist in cleanup and waste management at DOE facilities.

Funding Pattern

Cities receive funds available from DOE through the states.

Environment

Environmental Protection Agency

The Administration proposes $5.58 billion in budget authority for FY91 for the Environmental Protection Agency (EPA), a 1.6 percent increase over the FY90 level of $5.49 billion. While the Agency's operating programs would increase 12 percent to $2.2 billion, and enforcement activities would increase 22 percent over FY90, the wastewater grants program would be reduced by $391 million below the FY90 level of $1.99 billion.

• Wastewater Treatment Grants Program

With the reduction of $391 million, the wastewater program would be $1.6 billion in FY91. Under the 1987 amendments to the Clean Water Act, program funds for wastewater construction were to be shifted away from direct grants and used to capitalize state revolving loan funds (SRFs).

• Superfund

The President's budget provides for $1.74 billion for the Superfund program—an increase of $210 million over FY90 levels. The Superfund program is designed to provide emergency response to hazardous waste spills and remediation of hazardous waste sites. The Agency's request for Superfund includes a $16 million, or nearly 10 percent, increase for enforcement.

• LUST

The Administration requests $75 million for the Leaking Underground Storage Tank (LUST) program, a 1.2 percent increase over FY90. The program is designed to assist states in the development of response and enforcement capacity for leaking storage tanks.

• Drinking Water

The Drinking Water program within the Agency has a proposed budget authority of $132.6 million, an $11.8 million increase over FY90. Drinking Water programs within the Agency are used to propose and establish new drinking water standards, to assist states in developing groundwater protection programs, and to increase state capacity to secure increased protection of drinking water supplies.

• Clean Air

The President's budget for EPA's Air program would be $389.8 million in FY91. This represents a 34 percent increase, or $100.9 million more in this program. The increase would be used to begin implementation of the amendments to the Clean Air Act currently under consideration by Congress.

- **Research and Development**

The FY91 budget for EPA also includes a $25.1 million, or six percent, increase for EPA's R&D activities, including additional research in clean air and global climate change.

- **State Government Grants**

EPA's various programs include state grants for enforcement and implementation. The budget document indicates that total state grants for FY91 would increase $68.5 million to a level of $455.5 million, up nearly 18 percent. However, if one includes the $391 million reduction for the wastewater grants program, state governments actually would experience a $322 million, or a 13.5 percent, reduction.

Funding Pattern

With few exceptions, cities receive funding from EPA programs through states.

Other Department Initiatives

The Administration proposed two new initiatives to protect, conserve and enhance the nation's natural treasures. These two programs, "America the Beautiful" and "Legacy '99", are multi-year and multi-agency directives to stimulate greater natural and cultural resource preservation within the Departments of Agriculture and the Interior. America the Beautiful calls for the annual planting of one billion trees on private lands and 30 million trees through community-based planting programs. Legacy '99 would accelerate programs to repair and rehabilitate facilities in the National Park System, and would culminate by the end of the decade as part of Interior's 150th anniversary celebration.

The Administration proposes a total of $630 million in FY91 to initiate actions to promote these two programs within several agencies: the National Parks Service would receive $156 million; the Bureau of Land Management would receive $69 million; the U.S. Fish and Wildlife Service would receive $141 million; and the U.S. Forest Service would receive $264 million.

Food Stamps and Nutrition

The proposed budget authority for the food stamp program is $15.98 billion. The budget anticipates that 19.2 million persons will receive food stamps in FY91, approximately 100,000 less than in FY90. It assumes a $70 million reduction in the food stamp program, to be achieved through legislative changes that would require applicants and recipients to cooperate with child support enforcement agencies in seeking child support and by terminating benefits for those who refuse; and by cutting federal reimbursement for states' cost of running food stamp employment and training programs.

The Administration is also proposing to eliminate the Nutrition Assistance Program (NAP) for Puerto Rico, funded at $937 million in FY90, and to replace it with an $825 million cash grant to be administered by the Department of Health and Human Services (HHS).

Child nutrition programs would be reduced by $462 million. In FY90, these programs were funded at $4.89 billion. The proposed cuts would be achieved, again through legislative changes, by providing subsidies to family day care homes comparable to those provided to child care centers, and by changing income guidelines for the school lunch program. Requested funding levels for child nutrition programs include:

- $513.2 million for the child care feeding program ($281 million less than in FY90);
- $3.02 billion for the school lunch program (a reduction of $181 million);
- $606 million for the school breakfast program (a $42 million increase over FY90 levels);
- $180 million for the summer feeding program (an increase of $16 million); and
- $22.2 million for the Special Milk Program, $1.3 million more than in FY90.

Funding for the Special Supplemental Food Program for Women, Infants, and Children (WIC) is proposed at $2.2 billion, $100,000 over the FY90 level.

The budget includes $319.7 million for the Commodity Supplemental Food Program, up from $308 million in FY90; and $170 million for the Temporary Emergency Food Assistance Program (TEFAP), slightly more than the $169.4 million authorized in FY90.

Funding Pattern

Except for the Summer Feeding Program, which provides funds directly to local public agencies, public or private schools, and non-profit organizations, all other food and nutrition programs are administered by state and county governments.

Health

Medicare

The largest federal health program, Medicare, which provides health insurance for an estimated 31 million elderly and three million disabled individuals, would be funded at $110.5 billion for FY91, an increase of $4.9 billion over FY90. The Administration's budget includes the effects of legislation it would propose to Congress, cutting $5.6 billion by reducing capital payments to urban hospitals by 25 percent, hospital and physician payment schedules

alterations, and through other measures. Other legislative proposals to be offered by the Administration include encouragement of greater use of health maintenance organizations by Medicare beneficiaries.

Medicaid

Under the Administration's budget proposal, the federal share for Medicaid, the federal-state entitlement health care program for over 26 million low-income persons, is budgeted for $44.9 billion, a $4.7 billion increase over FY90 levels.

Health Resources and Services Administration

The President's budget proposes new initiatives to improve minority health and reduce infant mortality, both administered by the Health Resources and Services Administration (HRSA). The proposed $107 million minority initiative would include $35 million to develop creative solutions to the delivery of health services in association with public housing projects, $12 million for faculty and tuition assistance in minority health professions schools and $5 million for grants to communities and institutions for recruitment and educational support of health professions. The proposed $25 million "one-stop shopping" infant mortality program is to provide states and communities with funds to better coordinate health and social services for at-risk populations.

HRSA's Maternal and Child Health Block Grant to states is kept constant at the FY90 level ($554 million), while community health centers are slated for an FY91 $11 million increase, from $427 million to $438 million. Family planning funds are requested at $139 million, equal to the FY90 level, and the Administration's budget proposes administering the family planning program as a state block grant under the Office of the Assistant Secretary for Health.

Centers for Disease Control

With the exception of HIV/AIDS funding (see Section on AIDS), the FY91 requests for programs of the Centers for Disease Control remain very close to FY90 levels. Requested funding for the Preventive Health Services Block Grant, for example, is equal to the FY90 level of $84 million, and programs targeting sexually-transmitted diseases are kept at the FY90 level of $81 million.

Funding for childhood immunization programs is requested at $153 million, $3 million less than the FY90 figure due to elimination of payments to the vaccine stockpile.

Alcohol, Drug Abuse and Mental Health

The Administration's FY91 budget request for the Alcohol, Drug Abuse and Mental Health Administration (ADAMHA) provides for a funding level of $2.8 billion, a $200 million increase over FY90 levels, including an $82 million increase in research and a $100 million increase in the Alcohol, Drug Abuse and Mental Health Services block grant to states. (For a full discussion

of the Administration's anti-drug budget proposals, see the section on Drug Control)

Funding Pattern

Very little health-related funding is channeled directly to city governments. Medicare and Medicaid funds are disbursed to participating health care institutions and individuals; most HRSA monies are block-granted to state governments or community organizations; most CDC funding is state-focused, though several high-impact cities have a direct relationship with CDC for AIDS/HIV prevention activities; and ADAMHA's funding is also state-focused.

Homelessness

The Administration requests $819 million for programs under the Stewart B. McKinney Homeless Assistance Act, $143 million more than the authorized funding level for the current fiscal year. In addition, the budget calls for another $166 million in non-McKinney programs targeted to homeless persons. However, several McKinney Act programs for FY91, including the HHS Health Care for the Homeless project and HUD's Supplemental Assistance program, are not proposed to be funded at FY90 authorized funding levels.

The budget includes a new initiative—a "Shelter Plus Care" program—intended to provide housing and long-term supportive services to homeless persons who are mentally ill or substance abusers. The initiative is to be administered through three separate HUD programs: Rental Housing Assistance for the Homeless (formerly called Supplemental Assistance for Facilities to Assist the Homeless), budgeted at $161 million; Section 8 Moderate Rehabilitation (SRO) program budgeted at $49.6 million; and a Section 202(h) homeless program to be funded at $36 million. According to the Administration, the new initiative would provide a total of $247 million in housing assistance to over 8,900 homeless persons.

While this new effort would target needed assistance to persons who are homeless and mentally ill or substance abusers, the budget proposes a decrease in funding for the Section 8 SRO program from $73.2 million in FY90 to $49.6 million in FY91 (representing a 33 percent cut in funds).

In addition, services provided by the former Supplemental Assistance for Facilities to Assist the Homeless program, which was funded at $11 million in FY90, are supplanted by the new Rental Housing Assistance program for persons who are homeless and mentally ill or substance abusers. The supplemental assistance program would be eliminated in the proposed FY91 budget.

The Administration's FY91 budget for McKinney Act programs proposes:

- $143.4 million for HUD's Transitional and Supportive Housing Demonstration Program, an increase of $13 million over FY90's budget, with $20 million

requested for a new initiative to help homeless families eligible for AFDC and living in welfare hotels move into more stable transitional housing;

- $71.2 million for HUD's Emergency Shelter Grants program, a $2 million decrease in funds from FY90;

- $125 million for the Federal Emergency Management Agency's Emergency Food and Shelter Program, a cut of $5 million from FY90;

- $45.5 million for the HHS Health Care for the Homeless projects, an increase of 28 percent over FY90's budget of 35.5 million, but $18 million less than the FY90 authorized level for the McKinney Act program ($63.6 million);

- $42 million for the HHS Community Services Block Grant, maintaining the FY90 budget level to support McKinney Act activities, although the Community Services Block Grant is proposed for elimination in FY91.

Human Services

While most human service programs would remain at current levels in the FY91 budget, funds for Head Start and for foster care and adoption services would increase; low income home energy assistance would be cut; and community services block grants would be eliminated, except for targeted homeless assistance programs.

- A $500 million (36 percent) increase, or a total of $1.88 billion, is requested for Head Start. The increase is expected to allow for an additional 180,000 children to be served by the program, or a total of 667,000.

- $2.47 billion is proposed for foster care and adoption assistance, $1.09 billion more than was authorized in FY90. This increase includes $544 million to fund prior year claims for foster care.

- A $343 million cut is requested for the Low Income Home Energy Assistance Program, or a total of $1.05 billion.

- All funding for the community services block grants would be eliminated, except for $42 million authorized under the Stewart B. McKinney Homeless Assistance Act. In FY90, CSBG was authorized at $389 million.

- The Social Services Block Grant would be funded at $2.8 billion, $38 million over the FY90 level.

- The Legal Services Corporation would be funded at the current level of $316.5 million.

- Other human services programs remaining at current levels include Native American programs ($31.7 million), family violence grants ($8.2 million), drug abuse prevention for youth gangs ($14.8 million), drug abuse prevention for runaway and homeless youth ($14.8 million), and runaway and homeless youth programs ($28.7 million).

- A $17 million increase over FY90 levels, or a total of $192 million, is requested for ACTION. This represents an additional $10 million for Volunteers in Service to America (VISTA), and $3 million more for the Older American volunteer programs.

- A new program, The Points of Light Initiative Foundation, would be established to increase community services. A budget authority of $25 million is requested for the Foundation.

Funding Pattern

The Legal Services Corporation allocates funds to local non-profit agencies. Most other human services programs are allocated to the states for distribution.

Immigration and Refugee Resettlement

Refugee Resettlement

The FY91 budget request for Refugee and Entrant Assistance is $369 million, the same amount authorized in FY90. This includes $285 million for subsidizing states and local governments for the cost of providing cash and medical assistance to newly arriving refugees, and $38 million for targeted assistance to localities with high concentrations of refugees.

For the Migration and Refugee Assistance program, administered by the State Department, the budget requests an $82 million increase, or a total of $451 million. This program includes funding for initial resettlement costs and for refugee assistance overseas.

Immigration

The Administration is proposing that the State Legalization Impact Assistance Grants (SLIAG) be authorized at $302.6 million, the current level. In FY90, Congress reduced funding for the program by $555 million. SLIAG was established under The Immigration Reform and Control Act of 1986 to assist state and local governments, for each fiscal year from 1988 through 1991, with the cost of providing financial, educational and medical assistance to newly legalized aliens. As part of the 1986 Immigration law, Congress had set aside $4 billion for SLIAG, minus an offset to cover federal Medicaid costs.

The proposed budget for the Immigration and Naturalization Services (INS) of the Department of Justice is $884 million, $42 million more than the FY90 level. All but $10 million of the increase will go for enforcement.

Funding Pattern

Funds for refugee resettlement and SLIAG are provided to state and local governments, primarily counties, to offset temporarily the cost of providing certain services to refugees and to aliens legalized under the 1986 immigration law. Refugee resettlement funds are also provided directly to private agencies. Monies for INS are administered solely by the agency.

Income Security

While outlays for most income security programs are slated for increases in FY91, the Administration's budget proposes a 25 percent cut in the Low Income Home Energy Assistance Program, from $1.4 billion in FY90 to $1.1 billion in FY91. The Department of Health and Human Services' FY91 budget materials explain that the cut "coincide(s) with the relative stabilization of energy prices and the general reduction in the percent of income that low-income families pay for heat."

In the Administration's budget Social Security benefits are expected to increase from $218.9 billion in FY90 to $233.5 billion in FY91. Disability benefits would increase from $24 billion in FY90 to $25.5 billion in FY91. Supplemental Security Income (SSI) benefits would increase from $11.4 billion in FY90 to $13.2 billion in FY91. That increase is due primarily to the fact that 11 monthly benefit payments will be made in FY90, while 12 will be made in FY91.

The budget request includes funds to continue implementation of the Family Support Act. AFDC benefits would increase from $9.3 billion in FY90 to $9.5 billion in FY91. Beginning in FY91, AFDC benefits will become available in all states to eligible families with an unemployed principal wage earner. Funds for the JOBS program (Job Opportunities and Basic Skills Training), which provides education, training and employment opportunities to AFDC recipients, would increase by 138 percent, from $369 million in FY90 to $880 million in FY91. Funds to provide child care to JOBS program participants would increase by 137 percent from $206 million to $489 million.

The budget requests $825 million for a new grant program for the Commonwealth of Puerto Rico which would be administered by the Family Support Administration of HHS. This program would replace the Nutrition Assistance Program for Puerto Rico, which is authorized at $936 million in FY90.

Funding Pattern

Social security, disability and SSI benefits are distributed by the federal government to

individuals. AFDC benefits are administered by state and county governments. Low Income Home Energy Assistance funds are allocated to the states and passed through at state discretion to local agencies.

Science, Space, and Technology

Space Research and Technology

The FY91 budget proposes to allocate $15.8 billion for space activities, with $15.2 billion for the National Aeronautics and Space Administration (NASA). NASA's total budget of $15.2 billion is an increase of $2.9 billion, or 24 percent, over FY90, and is the largest proposed dollar increase of an major government agency in the FY91 budget.

Four broad objectives of the space budget are: 1) building transportation infrastructure through the Space Shuttle and expendable launch vehicle services for both government and commercial payloads, with proposed FY91 funding at $8.2 billion, or an increase of 15 percent above the estimated budget authority in FY90; 2) expanding the space frontier through manned exploration, increased by $408 million in the FY91 proposal to a total of $1.3 billion; 3) using space to increase scientific understanding through such efforts as understanding and observing global change (global warming, ozone depletion), a 57 percent increase over FY90, or a proposed $1 billion; and 4) a variety of programs to support the commercialization of space, such as a proposed $229 million in the FY91 budget for NASA to procure all expendable launch vehicle services from private launch service providers; $101 million for NASA's Office of Commercial Programs, including new funding for a special initiative through Centers for the Commercial Development of Space, cooperative ventures between universities and companies; and $4.5 million for the Department of Transportation's Office of Commercial Space Transportation.

National Science Foundation

The FY91 budget request for the National Science Foundation (NSF) is $2.4 billion, 14.4 percent above the FY90 appropriation. The NSF's FY91 budget focuses on two major themes: 1) strengthening the research base and improving academic research equipment and facilities, increased by 11 percent from FY90 to a proposed FY91 total of $1.8 billion; and 2) developing science and engineering education at all levels, increased by 30 percent to $463 million in FY91. The major aspect of the NSF budget of more direct relevance to cities is funding for 10 to 12 Science and Technology Research Centers, deferred from FY90 because of a constrained FY90 budget.

National Institute of Standards and Technology, Department of Commerce

Two programs at the National Institute of Standards and Technology (NIST, formerly the

National Bureau of Standards) of the U.S. Department of Commerce support basic research and development, considered to be generic and pre-competitive, that is, not immediately of commercial application. The FY91 budget would provide for two such programs at NIST to encourage the development and transfer to the private sector of a wide range of advanced technology: 1) $10 million for the new Advanced Technology Program (ATP) to support a number of industry-led consortia doing generic, pre-competitive research into promising technologies; and 2) $5 million in matching grants to universities and nonprofit organizations for seed money to establish Regional Manufacturing Technology Centers to facilitate the transfer of new and innovative manufacturing technology to small- and medium-sized businesses.

Transportation

Aviation

The Administration's overall transportation budget is weighted toward aviation. Total aviation funding is proposed to receive a 16 percent increase—to $8.6 billion in FY91, up from $7.4 billion in FY90. The proposed increase in funding would target continued modernization of the nation's aviation facilities and equipment, expansion of airport capacity (new airport construction and development), improvements in operations (500 additional air traffic controllers, 300 additional safety inspectors, and more security specialists) and increased research and development.

Increased aviation spending would be funded by a proposal to increase the passenger ticket fee from eight percent to 10 percent, and through a gradual spend-down of the 1990 Aviation Trust Fund surplus of $7.6 billion to $3 billion by FY95. The Administration's budget also proposes to lift restrictions on the revenue-raising capability of local airports by supporting passenger facility charges in exchange for reduced federal airport grants, and promoting greater public/private partnership development.

Surface Transportation

The Administration's budget proposes a $200 million reduction in the obligation ceiling of federal highway funding for FY91, to $12 billion; the ceiling was appropriated at $12.2 billion for FY90. The Highway Trust Fund surplus remains around $10 billion.

Mass transit funding would incur a $751 million reduction. This would be achieved by terminating the federal operating subsidy to the 30 urban areas over a million in population, by limiting new starts to projects which are currently designated with signed contracts, by combining the Mass Transit Transfer Program (funded at $159 million in FY90) with the Interstate Transfer Program (with no commensurate added funding) and by reducing federal support of Washington D.C.'s Metrorail by $47 million to the proposed $38 million level.

The Administration's proposal does not match the FY90 appropriation level of $3.1

billion, but this is the first time in the last five years that the proposed budget did not reduce total mass transit funding to the $1 billion Trust Fund level by eliminating all general revenue support. The FY91 budget calls for $1.1 billion in general revenue support and $1.4 billion from the mass transit penny of the Highway Trust Fund for a total federal funding commitment of $2.5 billion.

Railroads

The Administration's FY91 budget proposal eliminates support for the National Railroad Passenger Corporation (AMTRAK), which was funded at $604 million in FY90 and the Northeast Corridor Improvement Program, which was funded at $24 million in FY90.

The budget does propose to spend $10 million ($6 million at DOT and $4 million at the U.S. Army Corps of Engineers) to initiate a new public/private program to assess the potential application of a domestic high-speed rail system, also known as magnetically levitated trains. It is believed that these "maglev" trains would serve to augment existing air and surface transportation in this country.

Funding Pattern

Cities receive federal funding through the states for roads, bridges and street repair. Cities receive some of these funds under pass-through formulas; other funding amounts are determined in consultation with the state. Mass transit federal support is sent to a pre-determined designated receiver—generally a transit authority or a metropolitan planning organization. The federal interstate system is 98 percent complete, and is funded through federal-state formulas.

With the completion of the interstate highway system, 1990 reauthorization of airport programs and the 1991 reauthorization of surface transportation programs, the Administration promises to review the partnership of federal, state and local governments and the private sector to determine the new direction of federal transportation programs.

Veterans

The Department of Veterans Affairs (VA) provides wide-ranging services to the United States' 27.1 million living veterans, 44.1 million family members of surviving veterans, and 1.7 million survivors of deceased veterans. Veterans benefits include health care, pensions, compensation, education, and housing assistance programs.

The Administration's proposed FY91 budget calls for budget authority of $30.86 billion, an increase of $960 million over FY90 estimated spending. Included in the total budget is $16.3 billion for benefits programs, $12.5 billion for medical care, $694 million for construction, and $933 million for general operating expenses.

Major program changes proposed include:

- An increase in medical programs of $955 million above the FY90 level of $11.3 billion. The increases include: $530 million for hospital care; $192 million for outpatient care; $73 million for nursing home care; $29 million for education and training; $14 million for miscellaneous benefits and services; and $11 million for domiciliary care. In addition, $50 million in increases would be provided to non-Veterans Administration facilities such as contract hospitals, state home hospitals, and other areas. An increase of $54 million is also requested for proposed legislative initiatives.

- A decrease in medical and prosthetic research of $14 million and 421 full-time employees. VA-initiated medical and prosthetic research projects have included programs related to HIV/AIDS, heart disease, schizophrenia, spinal cord injury, diabetes, cancer, aging, alcoholism, mental illness, health-related problems of Vietnam-era veterans, and programs related to the function and fit of artificial limbs.

- A net reduction in housing programs of $182.7 million, and a first-time ever requirement of a home loan down payment of four percent for veterans receiving loans over $25,000. An increase in the mortgage indemnity fee—from 1.25 percent to 1.75 percent—is also proposed.

- The phase-out of job training funds from $6,739,000 to $150,000 due mainly to the termination on December 31, 1989 of the Vietnam-era GI Bill. Trainees have until March 1990 to draw benefits.

- Indexing of disability compensation benefits to cost-of-living increase.

Overall, the Department of Veterans Affairs' budget is increased by approximately $1 billion in FY91; $314 million of this is for new personnel, $322 million is for construction, $319 million is for a 3.9 percent cost-of-living increase, and the remaining $5 million is for miscellaneous expenditures.

Funding Pattern

Funds from the Department of Veterans Affairs go directly to individuals, state governments, private contractors and others.